

Rebuttal Testimony
of
David G. Bebyn CPA

For
Pawtucket Water Supply Board
City of Pawtucket

Docket No. 3497

July 2003

1 **Q. Please state your name and business address for the record.**

2 A. My name is David G. Bebyn CPA and my business address is One Worthington Road,
3 Cranston, Rhode Island 02920.

4
5 **Q. Mr. Bebyn, are you the same David Bebyn who filed prefled direct testimony in**
6 **this Docket No. 3497 in February of 2003?**

7 A. Yes.

8
9 **Q. What is the purpose of your rebuttal testimony?**

10 A. I have read the prefled direct testimony of Andrea C. Crane, which she prepared for
11 the Division of Public Utilities and Carriers (DPU) regarding revenue requirement in this
12 docket. This rebuttal testimony presents my comments relating to Ms. Crane's
13 recommendation relating to PWSB's pro forma retail revenue, wholesale sales, surcharge
14 revenue, and the level of funding of regulatory commission expenses.

15
16 **Q. What are your comments regarding the PWSB's pro forma retail revenue?**

17 A. Ms. Crane's entire position is based upon information that she acknowledges is
18 unreliable. The data source she used was the annual reports file with the Commission. To
19 my knowledge this data is not reconciled to the audited financial statements. In my
20 capacity as the supervisor of the PWSB audit since fiscal year 1997, I have performed
21 reconciliations between billing registers and trail balance every year. This reconciliation
22 maintains that only the 12 months corresponding to the fiscal year for each cycle is
23 included in revenue. The reconciliation includes both information for consumption and
24 billing revenue.

25
26 **Q. Do you're audited reconciliations agree with the annual reports?**

27 A. Not completely. The three fiscal years 1998, 1999 and 2000 appear to be materially
28 correct. However, fiscal year 2001 appears to be overstated since the audited values for
29 residential sales only amounted to 3,223,327 not the 3,966,115 as per the annual report.

1 Fiscal year 2002 was also overstated. Upon further review of the data supporting the
2 5,204,488 HCF reported on page 7 of the FY 2002 annual report; I have concluded that the
3 annual report is in error. The majority of the variance is the result of including 5 quarterly
4 billings of billing cycles 2 & 6 instead of 4 quarters. The PWSB will amend their 2001 and
5 2002 annual report filing. Given that fiscal years 2001 and 2002 were materially
6 overstated, it skewed Ms. Crane's 5 year average which significantly overstated her
7 projected revenue. After correcting the data I believe that no adjustment is necessary to the
8 PWSB proposed retail revenue level for the rate year.

9
10 **Q. Mr. Bebyn do you agree Ms. Crane's adjustment for wholesale sales?**

11 A. No, I do not. I previously explained through my prefiled testimony that the fiscal year
12 2002 was abnormally high due to Cumberland experiencing drought levels with their
13 reservoir requiring Cumberland to discontinue production from its own treatment plant and
14 to purchase from the PWSB the majority of the water it sold to its own ratepayers. The
15 PWSB had already taken a conservative position with regards to its projection of the
16 wholesale pro forma consumption by including fiscal year 2002 in the five year average.
17 Furthermore, no adjustment was made for fiscal year 2001 which included approximately
18 35,000HCF that was sold to Seekonk, Massachusetts. As addressed in Ms. Marchand's
19 rebuttal testimony, Seekonk only purchased water from the PWSB to develop their wells
20 which was completed during fiscal year 2001. Seekonk purchased water for fiscal years
21 1999, 2000 and 2001 however they have not purchased any since the first quarter of fiscal
22 year 2001 and there is no indication that will purchase water in the future.

23
24 **Q. Do you have any other information that would support PWSB's initial projection**
25 **of wholesale consumption?**

26 A. Yes. Subsequent to the filing of the PWSB's and Division's prefiled testimonies,
27 fiscal year 2003 has ended and wholesale consumption data for year was less the
28 598,000HCF. Given that even PWSB's pro forma average was higher than fiscal year

2003 actual, I believe that the wholesale consumption as originally filed is reasonable and appropriate, thus no wholesale water revenue adjustment is necessary.

Q. Mr. Bebyn what is your position regarding the adjustment to State Surcharge Revenue?

A. Setting aside the fact that this adjustment is unnecessary since the retail consumption should not be adjusted as shown above, the rates used by Ms. Crane and her application of the surcharge are in error.

Q. What is the actual rate used for the State Surcharge?

A. Effective on all billing beginning July 1, 2002 the Rhode Island Water Resources Board set the new rate of \$0.0292 per 100 gallons of water sold that are subject to the surcharge. This surcharge is comprised of \$0.01054 per 100 gallons paid to the Rhode Island Water Resources Board, \$0.01664 per 100 gallons paid to the State of Rhode Island, and \$0.00202 per 100 gallons retained by the water supplies. This \$0.00202 per 100 gallons calculates to \$.0151 (.00202 x 7.48) per 100 cubic feet not \$.01 as calculated by Ms. Crane.

Q. Mr. Bebyn is every gallon sold subject to the State Surcharge?

A. No. Section 46-15.3-4 of the law covering the surcharge, states that "sale" shall mean all retail sales except for sales exempt under section 46-15.3-5. Wholesale sales therefore are exempt from the surcharge and therefore should have been excluded from Ms. Crane's adjustment. Furthermore, section 46-15.3-5(c) of the state law exempts the elderly from being charged the surcharge. Given the high elderly population of City of Pawtucket it would be inappropriate to assume that 100% of any increase consumption (and PWSB believes that there will be none) would be subject to the surcharge.

Q. What are your comments regarding the PWSB's funding of regulatory commission expenses?

1 A. Ms. Crane did not have the data for docket 3193 included with her adjustment. Docket
2 3164 represented an abbreviated rate filing which was filed without a cost of service study
3 as required by the Commission. The cost of service portion of the rate filing was given a
4 separate docket to allow PWSB immediate rate relief. In essence the expenses from
5 Dockets 3164 and 3193 should be combined adding and additional 33,000 worth of cost
6 from just legal and expert witness alone.

7
8 **Q. Do you have any other comments regarding Ms. Crane's treatment of regulatory**
9 **commission expenses?**

10 A. Ms. Crane used an average of the three past filing one of which, docket 2674, was filed
11 back in 1997. Considering that this docket is over 6 years old, no adjustment to take into
12 consideration the present value of these costs. Coupled with the complexity of current and
13 future rate filings due to the future treatment plant, I believe that the PWSB originally
14 presented position is reasonable and no adjustment is necessary.

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16
17 **Q. Does that conclude your testimony?**

18 A. Yes.